Vincent Medical Holdings Limited
永勝醫療控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1612)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019, RECOMMENDATION FOR DECLARATION OF FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2019 ("**2019**") increased by 2.9% to HK$502.2 million as compared to that of HK$488.0 million for the year ended 31 December 2018 ("**2018**").

- The OBM segment delivered another year of double-digit revenue growth of 28.1% to HK$125.8 million (2018: HK$98.2 million).

- Gross profit for 2019 increased by 4.1% to HK$162.0 million (2018: HK$155.6 million). Gross profit margin for 2019 increased by 0.4 percentage points from 31.9% to 32.3%.

- Profit attributable to owners of the Company for 2019 decreased by 62.8% to HK$11.5 million (2018: HK$30.9 million). Excluding impairment of investments and goodwill, underlying profit for 2019 was HK$21.1 million.

- Basic earnings per share of the Company for 2019 decreased by 62.7% to HK1.81 cents (2018: HK4.85 cents).

- Proposed final dividend of HK1.10 cents per share for 2019, to be payable on or around Thursday, 18 June 2020.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Vincent Medical Holdings Limited (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2019, together with the comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	**2019** *HK$'000*	2018 *HK$'000*
Revenue	4	**502,200**	488,030
Cost of sales		**(340,193)**	(332,422)
Gross profit		**162,007**	155,608
Other income, other gains and losses	5	**(4,447)**	4,443
Selling and distribution expenses		**(32,119)**	(27,708)
Administrative expenses		**(101,836)**	(89,058)
Profit from operations		**23,605**	43,285
Finance costs	7	**(2,857)**	(810)
Share of losses of associates		**(1,068)**	(2,782)
Share of losses of joint ventures		**(1,386)**	(1,562)
Profit before tax		**18,294**	38,131
Income tax expense	8	**(5,437)**	(3,928)
Profit for the year	9	**12,857**	34,203
Attributable to:			
Owners of the Company		**11,525**	30,943
Non-controlling interests		**1,332**	3,260
		12,857	34,203
Earnings per share	11		
Basic		**HK1.81 cents**	HK4.85 cents
Diluted		**n/a**	n/a

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 *HK$'000*	2018 *HK$'000*
Profit for the year	**12,857**	34,203
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Fair value changes of equity investments at fair value through other comprehensive income (FVTOCI)	**(21,105)**	(19,081)
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(4,939)**	(9,328)
Exchange differences reclassified to profit or loss on deemed disposal of an associate	**–**	1,516
Share of other comprehensive income of associates and joint ventures	**40**	(170)
	(4,899)	(7,982)
Other comprehensive income for the year, net of tax	**(26,004)**	(27,063)
Total comprehensive income for the year	**(13,147)**	7,140
Attributable to:		
Owners of the Company	**(13,904)**	5,662
Non-controlling interests	**757**	1,478
	(13,147)	7,140

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	Note	**2019** *HK$'000*	2018 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**68,732**	53,594
Right-of-use assets		**21,408**	–
Goodwill		**–**	1,670
Other intangible assets		**31,123**	31,987
Investments in associates		**5,204**	12,024
Investments in joint ventures		**17,027**	20,833
Equity investments at FVTOCI		**43,199**	64,304
Deferred tax assets		**1,892**	1,935
Total non-current assets		**188,585**	186,347
Current assets			
Inventories		**118,544**	95,550
Trade receivables	12	**112,707**	109,953
Contract assets		**12,991**	17,177
Prepayments, deposits and other receivables		**67,541**	47,109
Bank and cash balances		**69,951**	81,141
Total current assets		**381,734**	350,930
TOTAL ASSETS		**570,319**	537,277
EQUITY AND LIABILITIES			
Share capital	14	**6,377**	6,377
Reserves		**346,074**	368,074
Equity attributable to owners of the Company		**352,451**	374,451
Non-controlling interests		**61,696**	59,742
Total equity		**414,147**	434,193

	Note	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Lease liabilities		**11,528**	–
Deferred tax liabilities		**5,830**	5,082
		17,358	5,082
Current liabilities			
Trade payables	13	**43,277**	40,814
Other payables and accruals		**41,899**	31,398
Lease liabilities		**10,675**	–
Borrowings		**30,598**	17,244
Current tax liabilities		**12,365**	8,546
Total current liabilities		**138,814**	98,002
TOTAL EQUITY AND LIABILITIES		**570,319**	537,277
Net current assets		**242,920**	252,928
Total assets less current liabilities		**431,505**	439,275

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

The Company was incorporated as an exempted company in the Cayman Islands under the Companies Law of the Cayman Islands on 19 November 2015. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Flat B2, 7/F., Phase 2, Hang Fung Industrial Building, 2G Hok Yuen Street, Hung Hom, Kowloon, Hong Kong. The Company's shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. Its subsidiaries are principally engaged in manufacturing, trading and research and development of medical devices.

In the opinion of the Directors, Vincent Raya International Limited, a company incorporated in the British Virgin Islands, is the ultimate parent of the Company. Mr. Choi Man Shing and Ms. Liu Pui Ching are the ultimate controlling parties of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 below provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases-Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact or leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) *Lessee accounting and transitional impact*

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 6.9%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

(iii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(iv) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	HK$'000
Operating lease commitment disclosed at 31 December 2018	**36,417**
Discounted using the incremental borrowing rate at 1 January 2019	**(3,695)**
Less: Recognition exemption for leases of low-value assets	**(7)**
Less: Recognition exemption for leases with less than 12 months of leases term at transition	**(2,362)**
Lease liabilities recognised as at 1 January 2019	**30,353**
Of which are:	
Current lease liabilities	**9,680**
Non-current lease liabilities	**20,673**
	30,353

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of consolidated financial position at 31 December 2018.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	Carrying amount as at 31 December 2018	Recognition of leases	**Carrying amount as at 1 January 2019**
	HK$'000	*HK$'000*	***HK$'000***
Assets			
Right-of-use assets	–	30,353	**30,353**
Liabilities			
Lease liabilities	–	30,353	**30,353**

(c) *Impact of the financial results and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element. These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17:

	2019				2018
	Amounts reported under HKFRS 16	**Add back: HKFRS 16 depreciation and interest expense**	**Deduct: Estimated amounts related to operating leases as if under HKAS 17** *(Note)*	**Hypothetical amounts for 2019 as if under HKAS 17**	Compared to amounts reported for 2018 under HKAS 17
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*
Financial results for year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Profit from operations	**23,605**	**10,499**	**(11,434)**	**22,670**	43,285
Finance costs	**(2,857)**	**1,751**	**–**	**(1,106)**	(810)
Profits before tax	**18,294**	**12,250**	**(11,434)**	**19,110**	38,131
Profit for the year	**12,857**	**12,250**	**(11,434)**	**13,673**	34,203

	2019			2018
	Amounts reported under HKFRS 16	**Estimated amounts related to operating leases as if under HKAS 17** ***(Note)***	**Hypothetical amounts for 2019 as if under HKAS 17**	Compared to amounts reported for 2018 under HKAS 17
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*
Line items in the consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash generated from operations	**34,099**	**(11,568)**	**22,531**	35,424
Interest element of lease rentals paid	**(1,751)**	**1,751**	**–**	–
Net cash generated from operating activities	**31,215**	**(9,817)**	**21,398**	35,073
Capital element of lease rentals paid	**(9,817)**	**9,817**	**–**	–
Net cash (used in)/generated from financing activities	**(5,304)**	**9,817**	**4,513**	(532)

Note:

The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there was difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform	1 January 2020

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. REVENUE

The Group's revenue is derived from contracts with customers.

In the following table, revenue is disaggregated by product category, geographical market and timing of revenue recognition.

	OEM		OBM		Total	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
By product category						
Respiratory products	**97,815**	95,664	**114,546**	88,203	**212,361**	183,867
Imaging disposable products	**157,149**	170,548	**–**	–	**157,149**	170,548
Orthopaedic and rehabilitation products	**70,910**	69,828	**11,271**	10,035	**82,181**	79,863
Other products	**50,509**	53,752	**–**	–	**50,509**	53,752
	376,383	389,792	**125,817**	98,238	**502,200**	488,030
By geographical market						
United States (the "**US**")	**313,563**	311,317	**5,800**	8,296	**319,363**	319,613
The People's Republic of China (the "**PRC**")	**–**	–	**66,356**	53,671	**66,356**	53,671
Japan	**13,890**	12,679	**6,408**	2,211	**20,298**	14,890
Australia	**18,186**	25,405	**1,852**	1,001	**20,038**	26,406
Netherlands	**15,387**	27,599	**–**	–	**15,387**	27,599
Others	**15,357**	12,792	**45,401**	33,059	**60,758**	45,851
	376,383	389,792	**125,817**	98,238	**502,200**	488,030
By timing of recognition						
Products transferred at a point in time	**219,234**	219,244	**125,817**	98,238	**345,051**	317,482
Products transferred over time	**157,149**	170,548	**–**	–	**157,149**	170,548
	376,383	389,792	**125,817**	98,238	**502,200**	488,030

The following table provides information about receivables and contract assets from contracts with customers:

	2019	2018
	HK$'000	*HK$'000*
Receivables, which included in "trade receivables"	**112,707**	109,953
Contract assets	**12,991**	17,177

Contract assets primarily consist of unbilled amount resulting from sales of OEM products transferred over time. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

There were no significant changes in the contract assets balances during the reporting period.

5. OTHER INCOME, OTHER GAINS AND LOSSES

	2019	2018
	HK$'000	*HK$'000*
Other income		
Government subsidies *(Note)*	**2,954**	3,781
Interest income - bank deposits	**104**	182
Interest income - other receivables	**270**	–
Sundry income	**2,603**	900
	5,931	4,863
Other gains and losses		
Exchange losses, net	**(676)**	(1,087)
Impairment of goodwill	**(1,670)**	(2,600)
Impairment of investment in an associate	**(5,649)**	–
Impairment of investment in a joint venture	**(2,236)**	–
Impairment of trade receivables	**(93)**	(192)
Write back of other payables	**–**	3,859
Write off of property, plant and equipment	**(54)**	(328)
Write off of trade receivables	**–**	(72)
	(10,378)	(420)
Total	**(4,447)**	4,443

Note:

Government subsidies mainly related to the subsidies received from the local government authority for the achievements accomplished by the Group.

6. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors of the Group that makes strategic and operating decisions.

Directors of the Group review the internal reporting of the Group in order to assess performance and allocate resources. From business model perspective, management assesses the performance of two operating segments, which are OEM and OBM.

- OEM represents "original equipment manufacturing", whereby products are manufactured in accordance with the customer's specification for sale under the customer's or third party's brand.

- OBM represents "original brand manufacturing", comprises research, development, manufacturing, marketing and sales of medical devices under "Inspired®", "Hand of Hope" and "Hypnus™" brands.

Segment profits or losses do not include interest income, interest expenses, share-based payments, share of losses of associates, share of losses of joint ventures, write back of other payables, impairment of investment in an associate, impairment of investment in a joint venture, corporate income and corporate expenses.

Segment assets and liabilities of the Group are not reported to the directors of the Group regularly. As a result, reportable segment assets and liabilities have not been presented in the consolidated financial statements.

Information about reportable segment profit or loss:

	OEM	**OBM**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Year ended 31 December 2019			
Revenue from external customers	**376,383**	**125,817**	**502,200**
Segment profit/(loss)	**58,566**	**(24,131)**	**34,435**
Depreciation and amortisation	**14,725**	**13,828**	**28,553**
Impairment of goodwill	**–**	**1,670**	**1,670**
Impairment of trade receivables	**52**	**41**	**93**
Year ended 31 December 2018			
Revenue from external customers	389,792	98,238	488,030
Segment profit/(loss)	69,781	(23,852)	45,929
Depreciation and amortisation	7,936	6,901	14,837
Impairment of goodwill	–	2,600	2,600
Impairment of trade receivables	166	26	192
Write off of trade receivables	72	–	72

Reconciliation of reportable segment revenue and profit or loss:

	2019	2018
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**502,200**	488,030
Profit or loss		
Total profit or loss of reportable segments	**34,435**	45,929
Interest income	**374**	182
Interest expenses	**(2,857)**	(810)
Share-based payments	**(2,106)**	(2,717)
Share of losses of associates	**(1,068)**	(2,782)
Share of losses of joint ventures	**(1,386)**	(1,562)
Write back of other payables	**–**	3,859
Impairment of investment in an associate	**(5,649)**	–
Impairment of investment in a joint venture	**(2,236)**	–
Corporate income	**2,603**	900
Corporate expenses	**(3,816)**	(4,868)
Consolidated profit before tax	**18,294**	38,131

Geographical information:

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue	
	2019	2018
	HK$'000	*HK$'000*
The US	**319,363**	319,613
The PRC	**66,356**	53,671
Japan	**20,298**	14,890
Australia	**20,038**	26,406
Netherlands	**15,387**	27,599
Others	**60,758**	45,851
	502,200	488,030

	Non-current assets	
	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**27,644**	39,590
The PRC	**109,370**	76,425
Spain	**3,556**	4,093
Japan	**2,924**	–
	143,494	120,108

Revenue from major customers:

	2019	2018
	HK$'000	*HK$'000*
OEM segment		
Customer A	**163,403**	176,557
Customer B	**79,287**	89,146

7. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest expenses on lease liabilities	**1,751**	–
Interest on borrowings	**1,106**	810
	2,857	810

8. INCOME TAX EXPENSE

	2019 *HK$'000*	2018 *HK$'000*
Current tax - Hong Kong Profits Tax		
Provision for the year	**2,715**	4,523
Over-provision in prior years	**(30)**	(1,311)
	2,685	3,212
Current tax - the PRC		
Provision for the year	**1,787**	1,721
Under/(over)-provision in prior years	**138**	(1,781)
	1,925	(60)
Deferred tax	**827**	776
Income tax expense	**5,437**	3,928

Under the two-tiered profits tax regime, profits tax rate for the first HK$2.0 million of assessable profits of qualifying corporations established in Hong Kong will be lowered to 8.25%, and profits above that amount will be subject to the tax rate of 16.5%.

Under the Corporate Income Tax Law of the PRC which became effective from 1 January 2008, the standard corporate income tax rate is 25% except Vincent Medical (Dongguan) Mfg. Co. Ltd. (東莞永勝醫療製品有限公司) which is qualified as High and New Tech Enterprise and would be entitled to a reduced corporate income tax rate of 15%. The relevant tax rates of the Company's PRC subsidiaries range from 15% to 25%.

9. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2019	2018
	HK$'000	*HK$'000*
Amortisation	**3,577**	1,751
Auditor's remuneration	**1,595**	1,605
Cost of inventories sold	**340,193**	332,422
Depreciation of property, plant and equipment	**14,477**	13,086
Depreciation of right-of-use assets	**10,499**	–
Equity-settled share-based payments	**2,106**	2,717
Impairment of goodwill (included in other gains and losses)	**1,670**	2,600
Impairment of investment in an associate (included in other gains and losses)	**5,649**	–
Impairment of investment in a joint venture (included in other gains and losses)	**2,236**	–
Impairment of trade receivables (included in other gains and losses)	**93**	192
Operating leases charges - land and buildings	**–**	13,265
Research and development expenditure	**29,742**	25,960
(Reversal of allowance)/allowance for inventories (included in cost of inventories sold)	**(419)**	2,697
Staff costs (including directors' emoluments)	**151,846**	125,461
Write back of other payables (included in other gains and losses)	**–**	(3,859)
Write off of inventories (included in cost of inventories sold)	**2,864**	359
Write off of property, plant and equipment (included in other gains and losses)	**54**	328
Write off of trade receivables (included in other gains and losses)	**–**	72

Cost of inventories sold include staff costs of approximately HK$84,295,000 (2018: HK$72,639,000), depreciation of property, plant and equipment of approximately HK$9,833,000 (2018: HK$9,085,000), depreciation of right-of-use assets of approximately HK$4,573,000 (2018: HK$ Nil), amortisation of approximately HK$767,000 (2018: HK$ Nil) and operating lease charges of HK$ Nil (2018: HK$5,688,000), which are included in the amounts disclosed separately.

Research and development expenditure include staff costs of approximately HK$13,771,000 (2018: HK$9,798,000), depreciation of approximately HK$554,000 (2018: HK$345,000) and operating lease charges of HK$ Nil (2018: HK$1,186,000), which are included in the amounts disclosed separately.

10. DIVIDEND

	2019	2018
	HK$'000	*HK$'000*
2018 final dividend of HK1.60 cents (2018: 2017 final dividend of HK1.50 cents) per ordinary share	**10,202**	9,565

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2019 of HK1.10 cents per share has been proposed by the Directors and is subject to approval by the shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting to be held on 20 May 2020 (the "**AGM**").

11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2019	2018
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company	**11,525**	30,943
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**637,650**	637,653
Effect of dilutive potential ordinary shares arising from share options issued by the Company *(Note)*	**n/a**	n/a
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**637,650**	637,653

Note:

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2019 and 2018.

12. TRADE RECEIVABLES

The general credit terms of the Group granted to its customers range from 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2019	2018
	HK$'000	*HK$'000*
0 to 30 days	**26,905**	49,235
31 to 60 days	**24,548**	25,258
61 to 90 days	**28,712**	20,005
Over 90 days	**32,542**	15,455
	112,707	109,953

13. TRADE PAYABLES

The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	2019	2018
	HK$'000	*HK$'000*
0 to 30 days	**24,508**	25,821
31 to 61 days	**7,795**	6,303
Over 60 days	**10,974**	8,690
	43,277	40,814

14. SHARE CAPITAL

	2019	2018
	HK$'000	*HK$'000*
Authorised		
10,000,000,000 ordinary shares of HK$0.01 each	**100,000**	100,000
Issued and fully paid		
637,650,000 ordinary shares of HK$0.01 each	**6,377**	6,377

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

OEM

Revenue from the OEM segment was amounted to HK$376.4 million (2018: HK$389.8 million), representing a decrease of 3.4% and accounted for 74.9% of the Group's total revenue (2018: 79.9%). The decrease was primarily due to the temporary shortage of certain raw materials caused by quality issues of suppliers, which affected the production of imaging disposable products in the second half of 2019. However, higher revenue contribution from respiratory products and orthopaedic and rehabilitation products was able to partially offset the decrease in revenue from imaging disposable products and other products. Despite the lower production volume of imaging disposable products, segment gross profit margin remained stable at 30.1% (2018: 30.4%).

The following table sets forth the revenue breakdown of the Group's OEM segment by product category:

By product category

	For the year ended 31 December				
	2019		2018		
	HK$'000	***% of segment revenue***	*HK$'000*	*% of segment revenue*	Change
Imaging disposable products	**157,149**	**41.8%**	170,548	43.8%	–7.9%
Respiratory products	**97,815**	**26.0%**	95,664	24.5%	+2.2%
Orthopaedic and rehabilitation products	**70,910**	**18.8%**	69,828	17.9%	+1.5%
Other products (includes infusion regulators, moulds, surgical tools and plastic disposable products)	**50,509**	**13.4%**	53,752	13.8%	–6.0%
Total	**376,383**	**100.0%**	389,792	100.0%	–3.4%

Notwithstanding the trade tension between the US and the PRC during the year, OEM sales to the US increased by 0.7% to HK$313.6 million. Sales to Australia decreased by 28.4%, primarily due to the shift in procurement practices from Australia to the US by a key customer. Lower sales of respiratory products in Europe led to the decrease of 31.0% of sales in the region.

The table below sets forth the revenue breakdown of the Group's OEM segment by location of customers:

By geography

	For the year ended 31 December				
	2019		2018		
	HK$'000	***% of segment revenue***	*HK$'000*	*% of segment revenue*	Change
The US	**313,563**	**83.3%**	311,317	79.9%	+0.7%
Australia	**18,186**	**4.8%**	25,405	6.5%	–28.4%
Europe	**22,408**	**6.0%**	32,487	8.3%	–31.0%
Japan	**13,890**	**3.7%**	12,679	3.3%	+9.6%
Others (including Israel, Hong Kong, etc.)	**8,336**	**2.2%**	7,904	2.0%	+5.5%
Total	**376,383**	**100.0%**	389,792	100.0%	–3.4%

During the year, the Group has put a lot of focus on further strengthening its relationships with key OEM customers especially on orders and product development. Specifically, the Group renewed the supply agreement with Bayer HealthCare LLC and Imaxeon Pty Ltd, the Group's largest revenue contributing customer, while also entered into a long-term supply agreement with Vyaire Medical, Inc., the Group's second-largest revenue contributing customer. Such increase in order book visibility provided reassurance to the Group's financial performance, guaranteeing the economies of scale at the Group's production facilities for margin protection. In addition, by leveraging customers' respective capabilities, the Group also explored various product co-development opportunities in the CT (Computed Tomography) scan and respiratory areas.

OBM

In 2019, the Group continued with its long-term strategy to grow its OBM business, gradually transforming into a comprehensive respiratory medical device provider for both disposables and equipment. The regulatory approval of our key devices during the year, including Hypnus™ PAP (positive airway pressure) 8 Series ventilators, single use CPAP (continuous positive airway pressure) Patient Interface and Nasal Cannula, O_2FLO Respiratory Unit, O_2B Electronic Oxygen Blender (both devices developed for the growing high flow oxygen therapy market) and the humidification systems under different jurisdictions, represents a strong testament to the Group's research and development ("**R&D**") capability. The additions to its product range have further solidified the Group's market position in respiratory solutions, particularly in high flow oxygen therapy.

Under the orthopaedic and rehabilitation product segment, the “Hand of Hope”, the Group’s interactive intention-driven hand training robotic system for neuromuscular rehabilitation of the hand and forearm, was chosen as one of the four evidence-based advanced rehabilitation technologies by the “CUHK Jockey Club HOPE4Care Programme”, a three-year projects co-organised by the Hong Kong Jockey Club Charities Trust and the Chinese University of Hong Kong. A total of 40 sets of the Hand of Hope will be deployed to 40 local elderly day care or rehabilitation centres in Hong Kong from 2019 to 2021.

As a result of the satisfactory product development, the OBM segment continued its robust performance during the year, recording a 28.1% growth in revenue to HK$125.8 million (2018: HK$98.2 million). This was boosted by the additional revenue contributions from new respiratory devices mainly launched during the previous two years, which accounted for 28.3% of segment revenue for the year (2018: 17.0%). Segment gross profit margin increased from 37.8% to 38.7%, mainly attributable to product mix enhancement with higher sales from electronic device which has partially compensated for the decrease in profit margins of disposables in the PRC market.

The following table sets forth the revenue breakdown of the Group’s OBM segment by product category:

By product category

	For the year ended 31 December				
	2019		2018		
	HK$’000	***% of segment revenue***	*HK$’000*	*% of segment revenue*	Change
Respiratory products	**114,546**	**91.0%**	88,203	89.8%	+29.9%
Orthopaedic and rehabilitation products	**11,271**	**9.0%**	10,035	10.2%	+12.3%
Total	**125,817**	**100.0%**	98,238	100.0%	+28.1%

While the PRC market continued to be the major market for the OBM segment, with sales grew by 23.6% to HK$66.4 million (2018: HK$53.7 million) and accounted for 52.7% of segment revenue, the international market (ex-China) also experienced significant growth of 33.5% with revenue reached HK$59.4 million (2018: HK$44.5 million).

The jump in sales to Europe by 59.8% to HK$16.7 million was attributable to new customer wins and product range expansion after obtaining the CE (Conformité Européenne) mark approval for certain products. The Group has also identified Japan, being one of the largest medical device markets in the world, as a key growth area. During the year, the Group successfully obtained the approval from Japan's Ministry of Health, Labour and Welfare for several Inspired® devices and became the supplier of several key medical device conglomerates in Japan for respiratory devices, disposables and surgical equipment. Sales to the Japanese market jumped by 189.8% to HK$6.4 million in 2019.

Observing such encouraging development in Japan, the Group established its first overseas office in Tokyo with the aim to further enhance its marketing efficiency and distribution reach, as well as to strengthen its regulatory affairs and service support capabilities, which is essential to further capture such enormous market. Currently, the team in Japan is in discussion with partners to distribute a wider variety of products to the Japanese market. In January 2020, the Group partnered with a top-notch distributor for the CALIMA™, a surgical patient warming system that the Group owns the license to manufacture and sell in certain countries, for nationwide exclusive distribution of the devices and the disposables (patient blankets) in Japan.

Despite the emphasis to develop the international market, the Group sees the importance to maintain its stable relationship with key distributors in the PRC. In December 2019, the Group opened a new office in Chaoyang District, Beijing, in order to actively manage its network of distributors, as well as to better serve its distributors and hospitals in Beijing-Tianjin-Hebei region, Inner Mongolia, Shanxi and Shandong provinces by providing adequate training on the use of products.

The table below sets forth the revenue breakdown of the Group's OBM segment by location of customers:

By geography

	For the year ended 31 December				
	2019		2018		
	HK$'000	***% of segment revenue***	*HK$'000*	*% of segment revenue*	Change
The PRC	**66,356**	**52.7%**	53,671	54.6%	+23.6%
Europe	**16,692**	**13.3%**	10,448	10.6%	+59.8%
Japan	**6,408**	**5.1%**	2,211	2.3%	+189.8%
North America	**12,128**	**9.6%**	10,852	11.0%	+11.8%
India	**3,017**	**2.4%**	2,626	2.7%	+14.9%
Others	**21,216**	**16.9%**	18,430	18.8%	+15.1%
Total	**125,817**	**100.0%**	98,238	100.0%	+28.1%

Investments and collaboration

In 2019, Ventway Sparrow (the ultra-light weight transport and emergency turbine ventilator developed by Inovytec Medical Solutions Ltd. ("**Inovytec**")) continued to record growing sales in Europe. The device was also submitted for FDA (Food and Drug Administration of the US) approval, and is expected to receive clearance in the first half of 2020. In addition, SALI® (a full critical first-aid solution that provides treatment, real-time monitoring and communication to local emergency dispatch) has been fully integrated into the public emergency dispatch communication systems in Marburg, Germany, and was chosen to be part of a national project led by the Emergency Healthcare Services in Romania.

Meanwhile, Fresca Medical, Inc. ("**Fresca**") continued to make progress on its core technology, and has completed a clinical study with 42 patients in the sleep lab and tested its system performance under the supervision of a well-known researcher/scientist and sleep expert, Dr. Mark Goetting. The result was encouraging, as it has confirmed that the Fresca Somnera™ System treats sleep apnea effectively, and is also safe and comfortable to wear throughout the night. There was also continuous refinement in the breathing hardware and software for the second 510(k) submission and certification body submission in Japan. With the support of the Group, Fresca continued to make progress in manufacturing setup and transfer.

廣州柏頤信息科技有限公司 (translated as Guangzhou 100ecare Technology Co. Limited "**100ecare**") introduced a series of new products and solutions in 2019 to cope with the growing need for elderly healthcare services and recorded a revenue growth of 31.9% to Renminbi ("**RMB**") 16.6 million. Their solutions incorporate wearable devices, sensors and modern communications and information technologies that enable continuous and remote monitoring of elderly health and well-being.

During the year, the Group continue to monitor the operations of its associates and joint ventures and assessed their future cash flows in light of factors including (i) the uncertainties arising from the delay in product development; (ii) the uncertainties arising from the change in requirement of medical device certification as a result of change in regulations; and (iii) the change of the Company's operational strategies.

As at 31 December 2019, sales performance of Retraction Limited ("**Retraction**")'s REVEEL™ retractor did not meet the original forecasted figure, whereas its product registration also experienced delay due to unforeseeable challenges in clinical trial requirements. Hence, the management has adjusted the expected revenue of REVEEL™, the single product that Retraction is selling in the market. For Avalon Photonics Holdings Limited ("**Avalon**")'s LED-based wearable phototherapy device, its sales performance also did not meet the original forecasted figure for 2019 due to the delay in product registration of the second generation of the device and the lower-than-expected market demand for the existing device in the PRC market. This has led to the conclusion by the management that the expected cash flows and revenue generated from Retraction and Avalon will not meet the original expected level, and that the estimated future growth in revenue from Retraction and Avalon operation will be slower than previously expected. According to the relevant accounting standard, the impairment shall be made accordingly. Based on the results of reassessment and the valuation report, impairments of HK$5.7 million and HK$2.2 million were made for investments in Retraction and Avalon, respectively.

OUTLOOK

The Group has achieved continuous sales growth over the past years, thanks to its expanding product lines, innovative technologies, stringent quality control and growing distribution network. There is also high hope over its OBM operation, as there has been encouraging adoption of its new devices, forming the basis for growth over the coming years. In 2020, the Group will strive to resume revenue and profit growth of the OEM segment, as the raw material supply related to imaging disposable products is expected to normalise in the second quarter of 2020, with additional orders from existing customers gradually run in. For the OBM segment, the Group expects the robust growth momentum to continue through to 2020 and onwards, as the Group will look to prudently invest in R&D, network expansion and new product promotional programs in order to drive the growth of its in-house brand Inspired®. The Group will also look to further expand, train and strengthen its sales team, so the team can be well-equipped to provide product training, explain the clinical advantages of our products and support a beneficial change in clinical practice. Supported by the new products roll-out and gradual expansion of markets of the existing products, the Inspired® brand will become more prominent in the global market.

In 2019, the Group sees meaningful progress from its R&D projects and applications for product registration, and is looking forward to realising greater benefits from the resources devoted to R&D in recent years through further product development, regulatory and marketing.

For the ongoing collaboration with invested companies, the Group will also take a more cautious approach in evaluating and monitoring the development of these companies. Prudent capital allocation is a fundamental part of the Group's strategy.

Coronavirus impact

The recent outbreak of the novel coronavirus ("**COVID-19**") has created both challenges and opportunities for the Group. As a medical device provider specialised in the respiratory area, the Group is committed to supporting the fight against this virus, and was able to respond quickly by resuming and ramping up its production, despite the disruption of raw material supply chain along with the labour shortage accompanied with the outbreak and Chinese New Year holiday. Being identified by certain world-leading medical device companies as a supplier of compatible humidification system and disposables that is used together with their respective hospital ventilators, the Group is seeing an increase in sales order and awareness of Inspired® products globally.

Specifically, in February 2020, the Group's O_2FLO Respiratory Unit (VUN-001) and its related disposables received approval from the National Medical Products Administration of the PRC, and has since being used on patients diagnosed with COVID-19 as part of the supportive care to help relieve symptoms.

The Board highly appreciate the efforts of our people and suppliers who have been working relentlessly to fulfil the urgent orders while maintaining daily operations. The Group will continue to fulfill its responsibility as a manufacturer of essential medical device by offering products to those who are in need, while generating values for all stakeholders.

FINANCIAL REVIEW

REVENUE

Driven by higher sales in the OBM segment, the Group's total revenue increased by 2.9% to HK$502.2 million for 2019 (2018: HK$488.0 million). Revenue from the US market remained relatively stable at HK$319.4 million, while revenue from the PRC market increased by 23.6%. The OEM segment and OBM segment contributed 74.9% (2018: 79.9%) and 25.1% (2018: 20.1%) to the Group's total revenue, respectively.

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit rose by 4.1% to HK$162.0 million (2018: HK$155.6 million). Gross profit margin increased by 0.4 percentage points from 31.9% to 32.3%. This was primarily attributable to the depreciation of RMB and higher sales contribution from the OBM segment, which has more than offset the increased labour and production costs.

OTHER INCOME, OTHER GAINS AND LOSSES

Other income mainly included the subsidies of HK$0.6 million (2018: HK$1.3 million) from the Enterprise Support Scheme under the Innovation and Technology Fund of the Government of the Hong Kong Special Administrative Region and the subsidies of HK$2.4 million (2018: HK$2.5 million) from "Guan-Rong Plan" of Dongguan Songshan Lake Science and Technology Industrial Park (the "**Songshan Lake**"). In 2019, other income also included rental refund of HK$1.35 million (2018: HK$ Nil) for the premises in Songshan Lake.

Other gains and losses mainly included exchange loss of HK$0.7 million (2018: HK$1.1 million), impairment of goodwill of HK$1.7 million (2018: HK$2.6 million) and impairment of investments of HK$7.9 million (2018: HK$ Nil). Other gains and losses for 2018 also included write back of other payables of HK$3.9 million.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by 15.9% to HK$32.1 million (2018: HK$27.7 million). This was primarily due to an increase in demand for premium delivery services from customers and the increased marketing expenses for the launch of new products. Selling and distribution expenses as a percentage of revenue was 6.4% (2018: 5.7%).

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 14.3% to HK$101.8 million (2018: HK$89.1 million), primarily due to an increase in R&D expenses to progress the Group's R&D product pipeline and support new launches of Inspired® products, the relocation of sales and R&D offices to the Songshan Lake and the general increase in average salary and number of staff.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

The Group shared losses of associates amounted to HK$1.1 million (2018: losses of HK$2.8 million) and losses of joint ventures amounted to HK$1.4 million (2018: losses of HK$1.6 million), reflected mainly by the share of results of Retraction, 100ecare and Avalon.

INCOME TAX EXPENSE

Income tax expense increased by 38.5% to HK$5.4 million (2018: HK$3.9 million) which was mainly due to over-provision in prior years of HK$3.1 million for the Hong Kong Profits Tax and the PRC Enterprise Income Tax in 2018.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Despite the increase in total revenue and gross profit by 2.9% and 4.1%, respectively, profit attributable to owners of the Company decreased by 62.8% to HK$11.5 million (2018: HK$30.9 million). This was mainly due to (i) the absence of one-off write back of other payables for 2019 (2018: HK$3.9 million); (ii) recognition of impairment of investments and goodwill of HK$9.6 million (2018: HK$2.6 million); and (iii) increase in selling and distribution expenses and administrative expenses.

PROPERTY, PLANT AND EQUIPMENT

During 2019, the Group purchased additional automation machinery and equipment and expanded and upgraded the production areas to increase the overall production capacity. As at 31 December 2019, property, plant and equipment increased by 28.2% to HK$68.7 million (2018: HK$53.6 million).

RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

As at 31 December 2019, right-of-use assets and lease liabilities amounted to HK$21.4 million (2018: HK$ Nil) and HK$22.2 million (2018: HK$ Nil), respectively. The increase was primarily attributable to the adoption of new accounting standard effective from 1 January 2019.

INVENTORIES

Inventories as at 31 December 2019 increased by HK$22.9 million to HK$118.5 million (2018: HK$95.6 million). Management considers this inventory level to be adequate in relation to the projected sales.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

As at 31 December 2019, investments in associates amounted to HK$5.2 million (2018: HK$12.0 million), consisted of the Group's investments in Retraction and another associate. The decrease was mainly due to the recognition of impairment loss of HK$5.7 million for investment in Retraction during the year (2018: HK$ Nil).

As at 31 December 2019, investments in joint ventures amounted to HK$17.0 million (2018: HK$20.8 million), consisted of the Group's investments in 100ecare and Avalon. The decrease was mainly due to the recognition of impairment loss of HK$2.2 million for investment in Avalon during the year (2018: HK$ Nil).

For details, please refer to the paragraph headed "Significant Investments" below.

HUMAN RESOURCES

As at 31 December 2019, the total number of full-time employees of the Group was 1,149 (2018: 1,103). The remuneration of employees was determined according to their experience, qualifications, result of operations of the Group and market condition. We offer senior management performance-based bonus schemes and share options to reward and retain a high caliber management team.

During the year, staff costs including Directors' emoluments (excluding capitalised salaries and wages of R&D staff) amounted to HK$151.8 million (2018: HK$125.5 million), representing 30.2% of the Group's revenue (2018: 25.7%). The increase of staff cost was mainly due to an increase in number of employees, salary adjustment and the increase in overtime wages.

LIQUIDITY AND FINANCIAL RESOURCES AND BORROWINGS

Bank and cash balances for 2019 decreased by 13.8% to HK$69.9 million (2018: HK$81.1 million). This was a result of the net cash inflow from operating activities of HK$31.2 million, net cash outflow from investing activities of HK$33.8 million, net cash outflow from financing activities of HK$5.3 million and negative effect of foreign exchange rate changes of HK$3.3 million. Most of the bank and cash balances were denominated in HK Dollars, US Dollars ("**USD**") and RMB.

Net cash outflow from investing activities for 2019 mainly arose from the purchase of property, plant and equipment of HK$31.1 million and additions to other intangible assets of HK$2.8 million, while net cash outflow from financing activities mainly arose from final dividend paid for 2018 of HK$10.2 million and lease payment of HK$9.8 million, net off by net cash inflow of HK$13.5 million from borrowings and capital contribution of HK$1.2 million from non-controlling shareholders.

As at 31 December 2019, total borrowings amounted to HK$30.6 million (2018: HK$17.2 million). The increase was primarily due to new bank loans of HK$16.2 million raised during the year. The net gearing ratio, which was calculated on the basis of the amount of total borrowings divided by the total equity attributable to owners of the Company, was 0.09 (2018: 0.05). As at 31 December 2019, the Group had unutilised bank facilities of HK$25.0 million.

CAPITAL EXPENDITURE AND COMMITMENTS

During the year, the total investment in property, plant and equipment was HK$31.1 million (2018: HK$21.4 million), in which 57.4% was used for purchasing additional production equipment and the remaining balance for procurement of other fixed assets.

As at 31 December 2019, the Group had contracted capital commitments of HK$13.1 million for procurement of property, plant and equipment and other intangible assets, which was mainly financed with internal resources.

CAPITAL STRUCTURE

As at the date of this announcement, the issued share capital of the Company was approximately HK$6.4 million, comprising 637,650,000 Shares of nominal value of HK$0.01 per Share.

SIGNIFICANT INVESTMENTS

As at 31 December 2019, the Company considered that the significant investments were as follows:

Equity investments at FVTOCI

Name of company	Principal business	Approximate percentage of shareholding	Total investment	Fair value of the equity investment		Assets ratio defined under the Listing Rules	
				2019	2018	**2019**	2018
Inovytec	An Israeli medical device company specialises in the development, production and marketing of non-invasive devices for out-of-hospital critical care, respiratory, cardiac, central nervous system and trauma emergencies.	13.68%	US$3.0 million (equivalent to HK$23.4 million)	**US$1.9 million (equivalent to HK$15.1 million)**	US$2.0 million (equivalent to HK$15.9 million)	**2.6%**	3.0%
Fresca	A US California-based sleep solution and connected health company that is developing a system for the treatment of obstructive sleep apnea.	17.5%	US$3.0 million (equivalent to HK$23.4 million)	**US$1.1 million (equivalent to HK$8.6 million)**	US$2.7 million (equivalent to HK$20.8 million)	**1.5%**	3.9%

Investment in an associate

Name of company	Principal business	Approximate percentage of shareholding	Total investment	Carrying amount of investment		Assets ratio defined under the Listing Rules	
				2019	2018	**2019**	2018
Retraction	A HK-based company specialises in design, development and commercialisation of retractors for minimally invasive surgeries.	40%	US$1.5 million (equivalent to HK$11.7 million)	**HK$1.6 million** ***(Note 1)***	HK$7.9 million	**0.3%**	1.5%

Investments in joint ventures

Name of company	Principal business	Approximate percentage of shareholding	Total investment	Carrying amount of investment		Assets ratio defined under the Listing Rules	
				2019	2018	**2019**	2018
Avalon	A HK-based medical technology company that designs and develops photo therapeutic technologies.	20%	US$1.7 million (equivalent to HK$13.3 million)	**HK$7.6 million** *(Note 2)*	HK$11.3 million	**1.3%**	2.1%
100ecare	A PRC-based company specialises in design, development and sale of a series of wearable smart devices, and operate a cloud-based safety and healthcare platform targeting the elderly population in the PRC.	10%	RMB8.0 million (equivalent to HK$9.2 million)	**RMB8.4 million (equivalent to HK$9.4 million)** *(Note 3)*	RMB8.3 million (equivalent to HK$9.5 million)	**1.6%**	1.8%

Notes:

1. During the year, the Group shared a loss of HK$0.6 million and recognised impairment loss of HK$5.7 million in the consolidated statement of profit or loss.

2. During the year, the Group shared a loss of HK$1.5 million and recognised impairment loss of HK$2.2 million in the consolidated statement of profit or loss.

3. During the year, the Group shared a profit of HK$0.1 million in the consolidated statement of profit or loss.

For additional information regarding the performance during the year and prospects of the above significant investments, please refer to the paragraph headed "Investments and Collaboration" above.

As at 31 December 2019, the carrying amount of investment in Retraction was decreased to HK$1.6 million (2018: HK$7.9 million) and an impairment loss of HK$5.7 million was recorded during the year (2018: HK$ Nil). Also, the carrying amount of investment in Avalon was decreased to HK$7.6 million (2018: HK$11.3 million) and an impairment loss of HK$2.2 million was recorded during the year (2018: HK$ Nil). In view of the above and the business prospects of Retraction and Avalon, the Company no longer considers that these investments are significant in nature after 31 December 2019.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year, the Group had no material acquisitions or disposals of subsidiaries and associated companies.

EVENTS AFTER THE REPORTING PERIOD

Since the COVID-19 outbreak in January 2020, governments worldwide are implementing aggressive measures reduce the intensity of the pandemic. The Group is closely monitoring the development and is evaluating its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on its financial statements as a result of the pandemic. For additional information regarding the impact of the COVID-19 outbreak on the Group, please refer to the paragraph headed "Outlook – Coronavirus Impact" above.

Saved as disclosed above, there were no other significant events after the reporting period up to the date of this announcement.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2019, none of the assets of the Group were pledged.

FOREIGN EXCHANGE EXPOSURE

While some of the Group's costs and expenses are denominated in RMB, there was a substantial amount of sales denominated in USD given the export-oriented nature of the OEM segment. Thus, any appreciation of RMB against USD may subject the Group to increased costs and lower profitability. The Directors have assessed the impact of such foreign currency risk and considered that it may materially affect the Group's profitability. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have other contingent liabilities.

ANNUAL GENERAL MEETING

The AGM is scheduled to be held on Wednesday, 20 May 2020. A notice convening the AGM, which constitutes part of the circular to the Shareholders, will be issued and disseminated to the Shareholders in due course.

FINAL DIVIDEND

The Board has proposed the payment of a final dividend of HK1.10 cents (2018: HK1.60 cents) per Share for the year ended 31 December 2019 to the Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 29 May 2020. The final dividend will be paid on or around Thursday, 18 June 2020, subject to the Shareholders' approval at the AGM. No interim dividend was made for the six months ended 30 June 2019 (2018: HK Nil cents).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Wednesday, 20 May 2020, the register of members of the Company will be closed from Friday, 15 May 2020 to Wednesday, 20 May 2020, both days inclusive, during which period no transfer of the Shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 14 May 2020.

For determining the entitlement to the proposed final dividend (subject to the approval of the Shareholders at the AGM), the register of members of the Company will be closed from Wednesday, 27 May 2020 to Friday, 29 May 2020, both days inclusive, during which period no transfer of the Shares will be registered. In order to qualify for the proposed final dividend as stated, all transfers forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 26 May 2020.

CORPORATE GOVERNANCE

The Board is committed to maintaining the highest possible standards of corporate governance, and strives to maintain transparent, responsible and value-driven management practices that will enhance and safeguard the interests of the Shareholders. The Board believes that effective and high quality corporate governance is an essential platform for creating value for the Shareholders. The Board is committed to continuously reviewing and improving the Group's corporate governance practices, and maintaining the highest standards of ethical corporate behaviour across the organisation.

The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as contained in Appendix 14 to the Listing Rules as its own code of corporate governance. The corporate governance principles of the Company emphasise a quality Board, sound internal controls and risk management, and transparency and accountability to all Shareholders.

In the opinion of the Directors, the Company has complied with the code provision as set out in the CG Code throughout the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding their transactions throughout the year.

AUDIT COMMITTEE

The Company established the audit committee of the Company (the "**Audit Committee**") with written terms of reference which deal clearly with its authority and duties. With effect from 13 June 2019 as a result of the resignation of Mr. Chan Ling Ming as an independent non-executive Director, Mr. Chan Ling Ming ceased to be a member of the Audit Committee and Prof. Yung Kai Leung has been appointed as a member of the Audit Committee. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Au Yu Chiu Steven, Mr. Mok Kwok Cheung Rupert and Prof. Yung Kai Leung.

The Group's audited consolidated annual results for the year ended 31 December 2019 have been reviewed by the Audit Committee.

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Group's auditor, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2019. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by RSM Hong Kong on this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2019.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.vincentmedical.com), respectively.

The annual report of the Company for the year ended 31 December 2019 containing all the relevant information required by the Listing Rules and the relevant laws and regulations will be dispatched to the Shareholders and available on above websites in due course.

APPRECIATION

On behalf of the Board, I would like to thank all our stakeholders and business partners for their ongoing support, and our Directors, management and employees for their dedication and contributions to our progress.

By Order of the Board
Vincent Medical Holdings Limited
Choi Man Shing
Chairman and Executive Director

Hong Kong, 20 March 2020

As at the date of this announcement, the Board of the Company comprises Mr. Choi Man Shing, Mr. To Ki Cheung, Mr. Koh Ming Fai and Mr. Fu Kwok Fu as executive Directors, Mr. Guo Pengcheng as a non-executive Director, and Mr. Mok Kwok Cheung Rupert, Mr. Au Yu Chiu Steven and Prof. Yung Kai Leung as independent non-executive Directors.